

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: September 18, 2012**  
***Request for Final Resolution and***  
***Request for Tax-Exempt Bond Allocation Approval***

Prepared by: *Mario Wong*

<b>Applicant:</b> Best Way Disposal Co., Inc. dba Advance Disposal Co., Inc. and/or its Affiliates	<b>Amount Requested:</b> \$15,600,000 <b>Application No.:</b> 834 (SB) <b>Final Resolution No.:</b> 526
<b>Project Location:</b> Hesperia (San Bernardino County)	<b>Prior Actions:</b> IR 10-05 Approved 4/28/10; Amendment Approved 5/24/11

**Summary.** Best Way Disposal Co., Inc. dba Advance Disposal Co., Inc. and/or its Affiliates (the “Company”) requests approval of a Final Resolution for an amount not to exceed \$15,600,000 to finance an expansion of its Materials Recovery Facility (MRF) and make related improvements (the “Project”). The Company provides refuse collection and disposal services in San Bernardino County. The Company anticipates that the project will provide water quality, recycling, tax revenues and jobs benefits.

**Borrower.** The Company incorporated in California on June 27, 1967, and provides refuse collection and disposal services in Hesperia.

The Company is owned by Sheila R. Bath (100%).

**Legal Questionnaire.** The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

**TEFRA.** The TEFRA hearing was held on August 16, 2012. There were no comments received in support of or in opposition to this Project.

**Fees.** The Company paid an application fee of \$5,000 and will pay an administrative fee of ~~\$26,400~~ \$26,200 upon closing.

**SBAF Assistance.** The Company is a small business, but it is not eligible for assistance from the Small Business Assistance Fund due to the par amount of the bond issue.

**Prior Financings.** There are no prior financings for the Company.

**Project Description.** The Company collects and processes solid waste material, and intends to expand its materials recovery and maintenance facilities and make related improvements at its site in Hesperia. The Project includes building construction, site improvements and the acquisition of waste hauling tractors and trailers, site improvements, and the procurement of drop boxes, bins, carts and containers.

The anticipated Project and issuance costs are listed below:

Construction of New Building(s)	\$10,350,000
Acquisition and Installation of New Equipment	4,250,000
Bond Issuance Expenses (including discount)	312,000
Letter of Credit or Bond Insurance Fee	132,502
Interest During Construction: One Year	<u>555,498</u>
<b>Total Bond Amount</b>	<b><u>\$15,600,000</u></b>

*Note: The Project costs reported in the Borrower's application and shown here in staff's report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.*

**Anticipated Timeline.** The Company anticipates commencing construction in October 2012 and completing the entire facility in about 18 months.

**Local Government.** The Company received a letter of support from Mr. Mike Podegracz, City Manager of Hesperia (Attachment A).

**Pollution Control and/or Environmental Benefits.** The Company represents the Project will generate the pollution control and environmental benefits described below.

**Water Quality.** The Project includes a runoff water collection and filtration system which will capture waste prior to discharge into the local sewer system.

**Recycling of Commodities.** The Project will provide mechanical and floor sorting of refuse and recyclables which is currently transferred to the landfill. Therefore, the Project will increase recovery of recyclables.

**Jobs.** The Company anticipates creating 20 jobs during construction.

**Taxes.** The Company approximates that the following tax revenues will be generated by the Project:

Personal Property Taxes	\$150,000 (annually)
Sales Tax	\$800,000 (one time)

**Permitting and Environmental Approvals.** A Conditional Use Permit, Notice of Determination, and Solid Waste Facilities Permit have been obtained, and copies were provided with submission of the CPCFA application.

**Financing Details.** The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit from Bank of the West that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is October 10, 2012.

The bonds will be issued in a structure that is new to CPCFA financings. At closing, the bonds will be issued as a single issue of \$15,600,000; however, the delivery of the bonds will be in phases as draw-down bonds. The Company anticipates three draw-downs of the bonds in amounts of approximately \$5 million each.

The Letter of Credit will increase in the increments of each draw-down amount. The Letter of Credit bank, Bank of the West, will certify to the trustee the increase before the delivery of each draw-down. The draw-down bond structure will reduce the cost of the Letter of Credit and the carrying costs of the bonds during the construction phase of the Project. This structure will provide significant borrowing cost savings to the Company.

Bond Counsel has advised that under the draw-down structure, the full amount of Volume Cap allocated to the bonds will be treated as “used” upon the initial closing.

**Financing Team.**

**Underwriter:** Westhoff, Cone & Holmstedt

**Bond Counsel:** Orrick, Herrington & Suttcliffe LLP

**Issuer’s Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Final Resolution No. 526 and Volume Cap Allocation Resolution No. 09-136-07 for an amount not to exceed \$15,600,000 for Best Way Disposal Co., Inc. dba Advance Disposal Co., Inc. and/or its Affiliates.

**FINAL BOND RESOLUTION OF THE  
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
RELATING TO FINANCING AND/OR REFINANCING OF SOLID WASTE DISPOSAL  
FACILITIES AND EQUIPMENT FOR  
BEST WAY DISPOSAL CO., INC. d/b/a ADVANCE DISPOSAL CO., INC.  
AND/OR ITS AFFILIATES**

**September 18, 2012**

**WHEREAS**, the California Pollution Control Financing Authority (the “Authority”) has received the application of Best Way Disposal Co., Inc. d/b/a Advance Disposal Co., Inc., a California corporation (the “Borrower”), for financial assistance to finance and/or refinance the acquisition, construction and rehabilitation of solid waste disposal facilities and equipment, located in San Bernardino County, and all as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (the “Project”); and

**WHEREAS**, the Borrower has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$15,600,000 (1) to assist in the financing and/or refinancing of the Project, (2) to pay capitalized interest on outstanding bonds during construction or acquisition of the Project for up to one year, and (3) to pay costs incurred in connection with the issuance and delivery of the bonds; and

**WHEREAS**, the Borrower has requested that such revenue bonds be delivered in installments to reduce costs, using a “draw down” mechanism; and

**WHEREAS**, the proceeds of such revenue bonds will be loaned to the Borrower in installments as described in a loan agreement with the Authority; and

**WHEREAS**, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

**WHEREAS**, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

**WHEREAS**, in order to enhance the marketability of the bonds, the Borrower has arranged for the financial institution named in the Term Sheet to secure the bonds through the issuance of its direct-pay irrevocable letter of credit which will increase incrementally upon the delivery of each installment of bonds under the draw down mechanism, thereby guaranteeing their repayment;

**NOW, THEREFORE, BE IT RESOLVED** by the California Pollution Control Financing Authority, as follows:

**Section 1.** The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

**Section 2.** Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Best Way Disposal Co., Inc. Project), Series 2012” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed \$15,600,000 are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax exempt or taxable mode, in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to finance and/or refinance the Project and to pay a portion of the costs of issuance of the Bonds. The Bonds may be issued as a single issue with delivery of bonds against proceeds done in periodic installments under a draw down mechanism.

**Section 3.** The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time on or before December 31, 2012, by negotiated sale, at such price, at such interest rate or rates and in such mode (taxable or tax-exempt) as he may determine, such determination to be as set forth in the hereinafter referred to Purchase Agreement. Such Purchase Agreement may reflect multiple bond delivery dates, pursuant to the draw down mechanism.

**Section 4.** The following documents:

- i. a Loan Agreement relating to the Bonds between the Authority and the Borrower (the “Loan Agreement”);
- ii. an Indenture relating to the Bonds (the “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”);
- iii. a bond purchase agreement relating to the Bonds among the Authority, the Treasurer of the State of California and the underwriter named in the Term Sheet (the “Underwriter”), and approved by the Borrower, (the “Purchase Agreement”); and
- iv. the official statement relating to the Bonds (in the form of either the “Preliminary Official Statement” or the final “Official Statement”).

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery

thereof in the case of the Loan Agreement, the Indenture and the Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement or the Official Statement.

**Section 5.** The Authority understands and agrees that pursuant to the terms of the Loan Agreement the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity or by Affiliates of such Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

**Section 6.** The dates, maturity dates, interest rate or rates, interest payment dates, draw down dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of each series of the Bonds shall be as provided in the Indenture, as finally executed.

**Section 7.** The Underwriter is hereby authorized to distribute the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds. The Underwriter is hereby directed to deliver a copy of the final Official Statement to all actual purchasers of the Bonds.

**Section 8.** The Bonds shall be executed by the manual or facsimile signature of the Chairman or any Deputy to the Chairman and the seal of the Authority shall be affixed thereon (or a facsimile reproduced thereon) in the form set forth in and otherwise in accordance with the Indenture. The Bonds, when executed, shall be delivered to the Trustee in installments as described in the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriter in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the Underwriter thereof, upon payment of the purchase price thereof.

**Section 9.** The Authority hereby dedicates and confirms its allocation to the Bonds of \$15,600,000 of a portion of the 2009 State Ceiling on qualified private activity bonds as previously received from the California Debt Limit Allocation Committee and carried forward by the Authority to finance and/or refinance certain costs of the Project and to pay certain costs of issuance of the Bonds, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Bonds.

**Section 10.** Each officer of the Authority, acting alone, is hereby authorized and directed to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds, and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Purchase Agreement

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and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including, without limitation, any certifications and one or more tax certificates.

**Section 11.** The provisions of the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings” adopted by the Authority on January 17, 2012, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

**Section 12.** The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

**Section 13.** This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this Resolution for the Borrowers shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

**EXHIBIT A**

**TERM SHEET**

**Name of Issue:** California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Best Way Disposal Co., Inc. Project), Series 2012 (the “Bonds”)

**Maximum Amount of Issue:** \$15,600,000.

**Issuer:** California Pollution Control Financing Authority (the “Authority”), Sacramento, CA

**Borrower:** Best Way Disposal Co., Inc. d/b/a Advance Disposal Co., Inc.

**Trustee:** The Bank of New York Mellon Trust Company, N.A.

**Senior Underwriter or Placement Agent:** Westhoff, Cone & Holmstedt

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP, San Francisco, CA

**Remarketing Agent:** Westhoff, Cone & Holmstedt

**Project** The Bond proceeds will finance the improvement and renovation of a building and the acquisition, construction, and/or installation of facilities and equipment for a materials recovery center and related facilities, vehicles, and equipment to be located at 17105 Mesa Street, 16955 Mesa Street and various adjacent parcels, all located in Hesperia, California 92345. Bond proceeds will also be used to finance acquisition of waste containers for the Company’s customers.

All financed assets will be owned and operated by the Company and located in the County of San Bernardino, California as described above. The vehicles and containers will be used to service the Company’s customers throughout the Company’s service territories in San Bernardino County, California, and the containers will be located at the addresses of

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	the Company's customers.
<b>Maximum Bond Term:</b>	Not to exceed 30 years
<b>Type of Sale:</b>	Negotiated sale
<b>Description of Minimum Denominations:</b>	\$100,000 or any integral multiple of \$5,000 in excess thereof while in variable rate mode
<b>Financing Structure:</b>	Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture delivered in installments using a draw down mechanism
<b>Maximum Interest Rate:</b>	12%
<b>Letter of Credit:</b>	Bank of the West
<b>Other Credit Enhancement:</b>	Not applicable
<b>Anticipated Bond Rating:</b>	Minimum "A"
<b>Type of Financing:</b>	Solid waste disposal revenue bonds
<b>Prepared by:</b>	Tony Cone, (925) 472-8750

**THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

**RESOLUTION NO. 09-136-07**

**A RESOLUTION DEDICATING FOR USE OF A PORTION OF THE 2009 STATE  
CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR AN  
EXEMPT FACILITY PROJECT**

**WHEREAS**, the California Pollution Control Financing Authority (“CPCFA”) has received an application (“Application”) from Best Way Disposal Co., Inc. dba Advance Disposal Co., Inc. and/or its Affiliates (“Project Sponsor”) for approval of the issuance of revenue bonds; and

**WHEREAS**, on September 18, 2012, CPCFA approved Final Resolution No. 526 (“Final Resolution”) authorizing the issuance of up to \$15,600,000 of its solid waste disposal revenue bonds (Best Way Disposal Project) Series 2012 (“Bonds”); and

**WHEREAS**, in seeking CPCFA approval of the Final Resolution, the Project Sponsor represented certain facts and information concerning the project to CPCFA which were relied upon by CPCFA in approving the Final Resolution; and

**WHEREAS**, the California Debt Limit Allocation Committee (“CDLAC”) has previously transferred to CPCFA a portion of the 2009 State Ceiling on Qualified Private Activity Bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, for use by CPCFA to issue bonds or other obligations in a manner consistent with CDLAC’s policies and procedures. Accordingly, capitalized terms not otherwise defined shall have the meanings ascribed to them in the “Procedures of the California Debt Limit Allocation Committee Implementing the Allocation of State Ceiling on Private Activity Bonds” (“CDLAC Procedures”); and

**WHEREAS**, it is appropriate for CPCFA to confirm the use of a portion of the 2009 State Ceiling on Qualified Private Activity Bonds allocated to CPCFA (“CPCFA Allocation”) to the issuance of the Bonds as set forth in the Final Resolution;

**NOW, THEREFORE**, CPCFA resolves as follows:

**Section 1.** CPCFA Allocation in the amount of \$15,600,000 is hereby dedicated to the issuance of the Bonds. The dedicated CPCFA Allocation may be used only by the Project Sponsor and only for the issuance of Bonds for the Project, as specifically described in Exhibit A, and consistent with the terms of the Final Resolution. All of the terms and conditions of Exhibit A, and the Final Resolution are incorporated herein as though set forth in full (this resolution, the Final Resolution and Exhibit A, collectively “Resolution”).

**Section 2.** The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor and all its respective successors and assignees, will be bound by such terms and conditions.

**Section 3.** Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and shall require reconsideration by the CPCFA before the Allocation may be used for the Project.

**Section 4.** The CPCFA Allocation dedicated by this Resolution shall automatically revert to CPCFA unless the Bonds for the Project have been issued by CPCFA by the close of business on **December 31, 2012.**

**Section 5.** Within twenty-four (24) hours of issuing the Bonds, CPCFA shall notify CDLAC via the email or the fax number as provided in Section 5140 of the CDLAC Regulations that the Bonds have been issued. This notice shall identify the Project Sponsor, the project or program, the date and amount of the Bonds issued.

**Section 6.** Within fifteen (15) calendar days of the Bond closing, CPCFA or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting the appropriate completed Report of Action Taken in a form prescribed by and made available by CDLAC.

**Section 7.** Any differences between the amount of Bonds issued and the amount of the CPCFA Allocation dedicated in Section 1 of this Resolution shall automatically revert to CPCFA. If at any time prior to the expiration date set forth in Section 4 hereof the Project Sponsor determines that part or all of the CPCFA Allocation dedicated in Section 1 of this Resolution will not be required by the Project by that date, the Project Sponsor shall promptly give notice to CPCFA.

**Section 8.** In consideration of the CPCFA Allocation dedicated in Section 1 of this resolution, the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Project Sponsor expressly agrees that the terms and conditions of this Resolution may be enforced by CDLAC or CPCFA through an action for specific performance or any other available remedy, provided however, that CDLAC and CPCFA agree not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, CPCFA shall ensure that the Bond documents, as appropriate, expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in this Resolution.

**Section 9.** The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by CDLAC or CPCFA.

**Section 10.** This Resolution shall take effect immediately upon its adoption.

**RESOLUTION NO. 09-136-07**  
**(AN EXEMPT FACILITY PROJECT)**  
**EXHIBIT A**

1. Project Sponsor: Best Way Disposal Co., Inc. dba Advance Disposal Co., Inc.  
and/or its Affiliates
2. Application #: 834 (SB)
3. Project User: Best Way Disposal Co., Inc. dba Advance Disposal Co., Inc.  
and/or its Affiliates
4. Project Name: Best Way Disposal Co., Inc. Project
5. Location: Hesperia (San Bernardino County)
6. Credit Enhancement or Private Placement Purchaser: Bank of the West
7. The Credit Enhancement Provider/Private Placement Purchaser at the time of issuance will  
be the same as represented in the application.
8. Amount of Allocation: \$15,600,000

ATTACHMENT A



# City of Hesperia

Incorporated 1988

June 27, 2012

Mr. Michael Paparian  
Executive Director  
California Pollution Control Financing Authority  
915 Capitol Mall, Room 457  
Sacramento, Ca 95814

RE: California Pollution Control Financing Authority, Exempt Facility Approvals  
Best Way Disposal, Inc. dba Advance Disposal Project

Dear Mr. Paparian:

I write to you today on behalf of Best Way Disposal, Inc. dba Advance Disposal relating to their environmental project for which approval will be requested at the California Pollution Control Financing Authority ("CPCFA") meeting in August.

My staff and I have worked with the management of Best Way Disposal, Inc. dba Advance Disposal over the last few years in their development and permitting of the proposed project and they are now ready for final finance approval. I understand that in order to receive approval for the issuance of tax exempt bonds, on whose lower interest rates the "project" economics have been based, CPCFA must grant part of the State's allocation for "private activity" bonds as defined by the federal government to the Project.

The City and Best Way Disposal, Inc. dba Advance Disposal agree that the implementation of this project is a cost effective addition to our overall program, taking into account cost, technology and expected waste diversion.

On behalf of the City of Hesperia I would appreciate it if you would approve the Best Way Disposal, Inc. dba Advance Disposal Project at your meeting in August.

Sincerely,

Mike Podgracz  
City Manager

*Russell Blewett, Mayor  
Bill Holland, Mayor Pro Tem  
Paul Bosacki, Council Member  
Mike Leonard, Council Member  
Thurston "Smitty" Smith, Council Member*

*Mike Podgracz, City Manager*

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